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6  
 7  
 8 UNITED STATES DISTRICT COURT  
 9 NORTHERN DISTRICT OF CALIFORNIA

11 I.B.L. INVESTMENTS LTD., Individually  
 12 and On Behalf of All Others Similarly  
 13 Situated,

14 Plaintiff,

15 v.

16 TERAYON COMMUNICATION  
 17 SYSTEMS, INC., ZAKI RAKIB, JERRY D.  
 CHASE, MARK A. RICHMAN and  
 EDWARD LOPEZ,

18 Defendants.

No.

06

3936

CLASS ACTION COMPLAINT  
 FOR VIOLATIONS OF FEDERAL  
 SECURITIES LAW

JURY TRIAL DEMANDED

20 Plaintiff I.B.L. Investments Ltd., individually and on behalf of all other persons similarly  
 21 situated, by plaintiff's undersigned attorneys, for plaintiff's Class Action Complaint against  
 22 defendants, alleges upon personal knowledge as to himself and his own acts, and upon  
 23 information and belief as to all other matters, based on, *inter alia*, the investigation conducted by  
 24 and through his attorneys, which included, among other things, a review of the defendants'  
 25 public documents, conference calls and announcements, United States and Securities Exchange  
 26 Commission ("SEC") filings, wire and press releases published by and concerning Terayon  
 27  
 28

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 NORTHERN DISTRICT OF CALIFORNIA

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 WESTERN ATTORNEY SERVICES

1 Communication Systems Inc. ("Terayon" or the "Company"), securities analysts' reports and  
2 advisories about the Company, and information readily obtainable on the Internet, as follows:

3  
4 **NATURE OF ACTION**

5 1. This is a securities fraud class action on behalf of public investors who  
6 purchased the common stock of Terayon between October 28, 2004 and March 1, 2006, both  
7 dates inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange  
8 Act of 1934 (the "Exchange Act"). Named as individual defendants are Zaki Rakib, Jerry D.  
9 Chase, Mark A. Richman and Edward Lopez.

10  
11 2. Throughout the Class Period, defendants' representations concerning the  
12 Company's financial condition, impressive income growth, and various other statements in the  
13 Company's quarterly and annual financial results and SEC filings were materially false and  
14 misleading because defendants knew or recklessly disregarded that the Company's reported  
15 financial results and growth were attributable to improper accounting practices, including  
16 improper revenue recognition practices, which resulted in an overstatement of the Company's  
17 revenues. Unbeknownst to investors, the Company's internal controls and procedures and, as a  
18 result, the Company's projections and reported financial results were seriously flawed.  
19 Furthermore, the Company's earnings were not increasing in the amounts that had been  
20 represented by defendants, and the Company's reported earnings statements for the interim  
21 periods were in violation of Generally Accepted Accounting Principles ("GAAP").  
22

23  
24 3. On November 7, 2005, after the market closed, Terayon announced that the  
25 Company "is reviewing the recognition of revenue for certain transactions during prior periods."  
26 More specifically, an internal review was initiated after the Company determined "that certain  
27 revenues recognized in the second half of fiscal year 2004 from a customer may have been  
28

1 recorded in incorrect periods.”

2 4. Then, on March 1, 2006, Terayon issued a press release announcing that  
3 the Company’s “consolidated financial statements for the year ended December 31, 2004 and for  
4 the four quarters of 2004 and the first two quarters of 2005 should no longer be relied upon and  
5 will be restated.” In response to these revelations, the next day, March 2, 2006, Terayon’s stock  
6 price fell \$0.37 per share – a more than 13% decline in the stock’s value – on extremely heavy  
7 trading volume of more than four million shares.  
8

9  
10 **JURISDICTION AND VENUE**

11 5. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of  
12 the Exchange Act [15 U.S.C. §§ 78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by  
13 the SEC [17 C.F.R. § 240.10b-5].

14 6. This Court has jurisdiction over the subject matter of this action pursuant to 28  
15 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

16 7. Venue is proper in this District pursuant to Section 27 of the Exchange Act, and  
17 28 U.S.C. § 1391(b). Terayon conducts business in this District and many of the acts and  
18 practices complained of herein occurred in substantial part in this District. In addition, the  
19 Company’s principal executive offices are situated in Santa Clara, California, which is within  
20 this District.  
21

22 8. In connection with the acts alleged in this Complaint, defendants, directly or  
23 indirectly, used the means and instrumentalities of interstate commerce, including, but not  
24 limited to, the United States mails, interstate telephonic communications and the facilities of the  
25 national securities markets.  
26  
27  
28

**PARTIES**

**Plaintiff**

9. Plaintiff I.B.L. Investments Ltd., as set forth in the accompanying certification, incorporated by reference herein, purchased the common stock of Terayon at artificially inflated prices during the Class Period and has been damaged thereby.

**Defendants**

10. Defendant Terayon is a Delaware corporation headquartered at 4988 Great America Parkway, Santa Clara, California 95054. The aggregate number of shares of Terayon common stock outstanding as of July 29, 2005, is approximately 77.2 million. As of December 31, 2004, Terayon had approximately 255 full-time employees. Terayon common stock is actively traded on the NASDAQ National Market ("NASDAQ") under the ticker symbol "TERN."

11. Defendant Zaki Rakib ("Rakib") served at all times relevant hereto as the Company's Chairman of the Board of Directors and Secretary. Rakib co-founded the Company in 1993. From January 1993 to September 2004, Rakib served as the Chief Executive Officer, and from January 1993 to July 1998, he also served as Chief Financial Officer.

12. Defendant Jerry D. Chase ("Chase") served at all times relevant hereto as the Company's Chief Executive Officer and a Director. He has been serving as President of the Company since March 2005.

13. Defendant Mark A. Richman ("Richman") has served as the Company's Senior Vice President Finance and Administration and Chief Financial Officer since November 2004.

14. Defendant Edward Lopez ("Lopez") served as the Company's Senior Vice

1 President, General Counsel and Human Resources until he resigned on December 31, 2004.  
2 Lopez served as the Company's Acting Chief Financial Officer between August 2004 and  
3 November 2004.  
4

5 15. The defendants referenced above in ¶¶ 11-14 are referred to herein as the  
6 "Individual Defendants."  
7

### 8 CLASS ACTION ALLEGATIONS

9 16. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil  
10 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or  
11 otherwise acquired the common stock of Terayon between October 28, 2004 and March 1, 2006,  
12 both dates inclusive (the "Class Period"), and who were damaged thereby (the "Class").  
13 Excluded from the Class are defendants herein, the officers and directors of the Company, at all  
14 relevant times, members of their immediate families and their legal representatives, heirs,  
15 successors or assigns and any entity in which defendants have or had a controlling interest.  
16

17 17. The members of the Class are so numerous that joinder of all members is  
18 impracticable. Throughout the Class Period, Terayon common shares were actively traded on the  
19 Nasdaq. While the exact number of Class members is unknown to plaintiff at this time and can  
20 only be ascertained through appropriate discovery, plaintiff believes that there are hundreds or  
21 thousands of members in the proposed Class. Record owners and other members of the Class  
22 may be identified from records maintained by Terayon or its transfer agent and may be notified  
23 of the pendency of this action by mail, using the form of notice similar to that customarily used  
24 in securities class actions.  
25

26 18. Plaintiff's claims are typical of the claims of the members of the Class as all  
27 members of the Class are similarly affected by defendants' wrongful conduct in violation of  
28

1 federal law that is complained of herein.

2 19. Plaintiff will fairly and adequately protect the interests of the members of the  
3 Class and has retained counsel competent and experienced in class and securities litigation.  
4 Plaintiff has no interests antagonistic to or in conflict with those of the Class.  
5

6 20. Common questions of law and fact exist as to all members of the Class and  
7 predominate over any questions solely affecting individual members of the Class. Among the  
8 questions of law and fact common to the Class are:

9 (a) whether the federal securities laws were violated by defendants' acts  
10 as alleged herein;  
11

12 (b) whether statements made by defendants to the investing public  
13 during the Class Period misrepresented material facts about the business, operations and  
14 management of Terayon;

15 (c) whether the Individual Defendants caused Terayon to issue false and  
16 misleading financial statements during the Class Period;  
17

18 (d) whether defendants acted knowingly or recklessly in issuing false  
19 and misleading financial statements;

20 (e) whether the market price of Terayon securities during the Class  
21 Period was artificially inflated because of the defendants' conduct complained of herein;  
22 and  
23

24 (f) whether the members of the Class have sustained damages and, if so,  
25 the proper measure of damages.

26 21. A class action is superior to all other available methods for the fair and efficient  
27 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as  
28



1 the damages suffered by individual Class members may be relatively small, the expense and  
2 burden of individual litigation make it impossible for members of the Class to individually  
3 redress the wrongs done to them. There will be no difficulty in the management of this action as  
4 a class action.

5  
6 22. Plaintiff will rely, in part, upon the presumption of reliance established by the  
7 fraud-on-the-market doctrine in that:

8 (a) defendants made public misrepresentations or failed to disclose  
9 material facts during the Class Period;

10 (b) the omissions and misrepresentations were material;

11 (c) the securities of the Company traded in an efficient market;

12 (d) the misrepresentations and omissions alleged would tend to induce a  
13 reasonable investor to misjudge the value of the Company's securities; and

14 (e) plaintiff and members of the Class purchased their Terayon stock  
15 between the time the defendants failed to disclose or misrepresented material facts and  
16 the time the true facts were disclosed, without knowledge of the omitted or  
17 misrepresented facts.  
18

19  
20 23. Based upon the foregoing, plaintiff and the members of the Class are entitled to a  
21 presumption of reliance upon the integrity of the market.

## 22 SUBSTANTIVE ALLEGATIONS

### 23 Background

24  
25 24. Defendant Terayon, a Delaware corporation, develops, markets and sells  
26 equipment to broadband service providers for delivering broadband voice, digital video solutions  
27 (DVS), and data services to residential and business subscribers in the United States.  
28

**Defendants' Materially False And/Or Misleading Statements**

25. On October 28, 2004, Terayon issued a press release announcing the Company's financial results for the third quarter ended September 30, 2004. The press release noted that the results were in line with preliminary results for the quarter as announced on October 8, 2004.

The press release stated, in relevant part:

Revenues for the third quarter of 2004 were \$37.2 million, down 1% from \$37.6 million in the third quarter of 2003, and down 13% from \$42.8 million in the second quarter of 2004. Net loss for the third quarter of 2004 was \$13.5 million, or \$0.18 per share, as compared to a net loss of \$7.2 million, or \$0.10 per share, in the third quarter of 2003, and a net loss of \$4.9 million, or \$0.06 per share, in the second quarter of 2004. The results for the third quarter of 2004 include an inventory charge of \$7.3 million, or \$0.10 per share, primarily related to a write-down of excess CMFS inventory, and a charge of \$1.4 million, or \$0.02 per share, related to an executive separation payment. The results for the second quarter of 2004 included an inventory benefit of \$0.8 million, or \$0.01 per share, related to the sale of previously reserved inventory, and a charge of \$3.6 million, or \$0.04 per share, related to restructuring activities and executive separation payments.

The Digital Video Solutions product line had revenues of \$10.8 million in the third quarter of 2004, compared to \$4.6 million in the third quarter of 2003 and \$7.5 million in the second quarter of 2004. The Subscriber product line had revenues of \$19.8 million in the third quarter of 2004, compared to \$16.2 million in the third quarter of 2003 and \$25.0 million in the second quarter of 2004. The CMFS product line had revenues of \$6.6 million in the third quarter of 2004, compared to \$16.8 million in the third quarter of 2003 and \$10.3 million in the second quarter of 2004.

\* \* \*

Terayon ended the third quarter with \$111.9 million in cash, cash equivalents and short-term investments, and \$65.1 million in convertible debt due in 2007. Accounts receivable days sales outstanding (DSO) as of September 30, 2004 was 50 days, compared with 59 days reported as of June 30, 2004.

Looking ahead to fourth quarter 2004, the Company represented in the press release the following:

Terayon expects to report revenues in the range of \$27 million to \$31 million and anticipates a net loss in the range of \$0.12 to \$0.15 per share, including the effects of the estimated \$3.2 million to \$3.6 million severance charge. Excluding the effects of the estimated severance charge, Terayon expects a net loss in the range



1 of \$0.08 to \$.11 per share.

2 26. On November 9, 2004, Terayon filed its quarterly report with the SEC on Form  
3 10-Q for the period ended September 30, 2004. This report was signed by defendant Lopez and  
4 reaffirmed the Company's previously announced financial results. Pursuant to certification  
5 requirements under the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), the Form 10-Q was  
6 also certified by defendants Chase and Lopez.

7 27. On February 9, 2005, Terayon issued a press release announcing the Company's  
8 financial results for the fourth quarter and year ended December 31, 2004. The press release  
9 stated, in relevant part:  
10

11 Revenue for the fourth quarter of 2004 was \$29.4 million, down 32% compared to  
12 \$43.0 million for the same quarter a year ago, and a 21% decrease compared to  
13 the \$37.2 million for the third quarter 2004. Revenue for the 12 months ended  
14 December 31, 2004 was \$150.5 million, a 12.7% increase compared to \$133.5  
15 million for the 12 months ended December 31, 2003.

16 Net loss for the fourth quarter of 2004 was \$7.9 million, or \$0.10 per share,  
17 compared to a net loss of \$6.0 million, or \$0.08 per share, for the same quarter a  
18 year ago, and a net loss of \$13.5 million, or \$0.18 per share, for the third quarter  
19 of 2004. Net loss for the 12 months ended December 31, 2004 was \$36.5 million,  
20 or \$0.48 per share, compared to a net loss for the 12 months ended December 31,  
21 2003 of \$50.4 million, or \$0.68 per share.

22 Digital video networking applications product line revenues were \$12.6 million in  
23 the fourth quarter of 2004, up 91% compared to \$6.6 million in the fourth quarter  
24 of 2003 and 17% compared to \$10.8 million in the third quarter of 2004.  
25 Revenues for the full year 2004 were \$37.0 million, up 109% compared to \$17.7  
26 million in 2003.

27 The home access product line had revenues of \$13.7 million in the fourth quarter  
28 of 2004, compared to \$18.5 million in the fourth quarter of 2003 and \$19.8  
million in the third quarter of 2004. The CMTS product line had revenues of \$3.1  
million in the fourth quarter of 2004, compared to \$17.5 million in the fourth  
quarter of 2003 and \$6.6 million in the third quarter of 2004. As of December  
31, 2004, Terayon had \$97.7 million in cash, cash equivalents and short-term  
investments, and \$65.1 million in convertible debt due in 2007.

The Company also provided the following outlook for first quarter 2005:

1 For the first quarter of 2005, Terayon expects to report revenues in the range of  
2 \$25 million to \$30 million and anticipates a net loss in the range of \$3 million to  
3 \$6 million. Earnings per share is estimated to be a loss in the range of \$0.04 to  
4 \$0.08. Cash usage during the first quarter of 2005 is estimated to be in the range  
of \$6 million to \$9 million.

5 28. On March 15, 2005, Terayon filed its annual report with the SEC on  
6 Form 10-K for the period ended December 31, 2004. The Company's Form 10-K was signed by  
7 the Individual Defendants and reaffirmed the Company's previously announced financial results.  
8 Pursuant to certification requirements of Sarbanes-Oxley, the Form 10-K was also individually  
9 certified by defendants Chase and Richman.  
10

11 29. As part of the Form 10-K, the Company's independent registered  
12 public accounting firm, Ernst & Young LLP, issued a report on the Company's internal control  
13 over financial reporting. The report stated, in relevant part, the following:  
14

15 We have audited management's assessment, included in Management's Report on  
16 Internal Control Over Financial Reporting in Item 9a, that Terayon  
17 Communication Systems, Inc ("Terayon") did not maintain effective internal  
18 control over financial reporting as of December 31, 2004 because of the effect of  
the material weaknesses described in management's assessment, based on criteria  
19 established in Internal Control - Integrated Framework issued by the Committee  
of Sponsoring Organizations of the Treadway Commission (the "COSO" criteria).

\* \* \*

20 A material weakness is a control deficiency, or combination of control  
21 deficiencies, that results in more than a remote likelihood that a material  
22 misstatement of the annual or interim financial statements will not be prevented or  
detected. The following material weaknesses have been identified and included in  
management's assessment:

23 Management identified a material weakness due to insufficient controls  
24 related to the identification, capture, and timely communication of  
25 financially significant information between certain parts of the  
organization and the financial department to enable the finance department  
26 to account for transactions in a complete and timely manner. As a result of  
this material weakness, management recorded an adjustment in the quarter  
27 ended September 30, 2004 to record termination benefits paid to a former  
28 executive.

1 Management also identified a material weakness for insufficient controls  
2 related to the preparation and review of the annual consolidated financial  
3 statements and accompanying footnote disclosures. The insufficient  
4 controls include a lack of sufficient personnel with technical accounting  
5 expertise in the financial department and inadequate review and approval  
6 procedures to prepare external financial statements in accordance with  
7 generally accounting principles (GAAP).

8 30. On May 3, 2005, Terayon issued a press release announcing its financial  
9 results for the first quarter ended March 31, 2005. The press release stated, in relevant part:

10 Revenue for the first quarter of 2005 was \$26.4 million, a 10% decrease compared  
11 to \$29.4 million for the fourth quarter of 2004 and down 36% compared to \$41.2  
12 million for the first quarter of 2004.

13 Digital video networking applications product line revenues were \$13.0 million in  
14 the first quarter of 2005 up from \$12.6 million in the fourth quarter of 2004 and  
15 \$6.1 million in the first quarter of 2004. The home access product line had  
16 revenues of \$11.6 million in the first quarter of 2005, compared to \$13.7 million  
17 in the fourth quarter of 2004 and \$23.8 million in the first quarter of 2004. The  
18 Cable Modem Termination System (CMTS) product line had revenues of \$1.7  
19 million in the first quarter of 2005, compared to \$3.1 million in the fourth quarter  
20 of 2004 and \$11.1 million in the first quarter of 2004.

21 Net loss for the first quarter of 2005 narrowed to \$2.6 million, or \$0.03 per share,  
22 compared to a net loss of \$7.9 million, or \$0.10 per share, for the fourth quarter of  
23 2004 and a net loss of \$10.2 million, or \$0.14 per share, for the first quarter of  
24 2004.

25 31. On May 10, 2005, the Company filed its quarterly report with the SEC  
26 on Form 10-Q for the period ended March 3, 2005. The Company's Form 10-Q was signed by  
27 defendant Richman and reaffirmed the Company's previously announced financial results.  
28 Pursuant to certification requirements of Sarbanes-Oxley, the Form 10-Q was also individually  
certified by defendants Chase and Richman.

32. On July 28, 2005, Terayon issued a press release announcing the  
Company's financial results for second quarter 2005. The press release stated, in relevant part:

1 Revenue for the second quarter of 2005 was \$29.5 million, a 12% increase  
2 compared to \$26.4 million for the first quarter of 2005 and down 31% compared  
3 to \$42.8 million for the second quarter of 2004.

4 Digital video networking applications product line revenues were \$17.3 million in  
5 the second quarter of 2005 up from \$13.0 million in the first quarter of 2005 and  
6 \$7.5 million in the second quarter of 2004. The home access product line had  
7 revenues of \$10.6 million in the second quarter of 2005, compared to \$11.6  
8 million in the first quarter of 2005 and \$25.0 million in the second quarter of  
9 2004. The Cable Modem Termination System (CMTS) product line had revenues  
10 of \$1.5 million in the second quarter of 2005, compared to \$1.7 million in the first  
11 quarter of 2005 and \$10.3 million in the second quarter of 2004.

12 Net loss for the second quarter of 2005 was \$508,000, or \$0.01 per share,  
13 compared to a net loss of \$2.6 million, or \$0.03 per share, for the first quarter of  
14 2005 and a net loss of \$4.9 million, or \$0.06 per share, for the second quarter of  
15 2004.

16 The Company also provided the following business outlook for third quarter 2005:

17 For the third quarter of 2005, Terayon expects to report revenues in the range of  
18 \$26 million to \$30 million with digital video revenues in the range of \$14 million  
19 to \$18 million. Net income/loss is expected to be in the range of a loss of \$1  
20 million to positive \$2 million of profitability, or a loss of \$0.01 to income of  
21 \$0.03 per share. The balances of cash and cash equivalents are expected to  
22 increase in range of \$0 to \$3 million during the third quarter of 2005.

23 33. On August 1, 2005, the Company filed a Form 8-K with the SEC  
24 announcing that on July 26, 2005, the Company was advised by Ernst & Young that it was  
25 resigning "as the Company's independent registered public accounting firm following the earlier  
26 of the completion of services related to the review of the Company's interim financial statements  
27 for the quarter ending September 30, 2005 or the filing due date of that quarterly report."

28 34. On August 9, 2005, the Company filed its quarterly report with the  
SEC on Form 10-Q for the period ended June 30, 2005. The Company's Form 10-Q was signed  
by defendant Richman and reaffirmed the Company's previously announced financial results.  
Pursuant to certification requirements of Sarbanes-Oxley, the Form 10-Q was also individually  
certified by defendants Chase and Richman.

1           35.     On September 30, 2005, the Company issued a press release titled  
2  
3     "Terayon Signs New Independent Auditor." Specifically, effective September 21, 2005, the  
4     Company engaged Stonefield Josephson, Inc. as the Company's new independent auditor.  
5     Furthermore, in the press release, the Company noted that Stonefield Josephson "will  
6     immediately take over responsibilities as the external auditor beginning with the review of the  
7     Company's third quarter fiscal calendar."

8  
9           36.     On November 7, 2005, after the market closed, Terayon issued a  
10    press release titled "Terayon Announces Accounting Review and Delay in Release of  
11    Third Quarter 2005 Results." The press release stated, in relevant part, the following:

12           Terayon Communication Systems, Inc. a leading provider of digital video  
13    networking applications and home access solutions, today announced that it is  
14    reviewing the recognition of revenue for certain transactions during prior periods.  
15    Terayon initiated the review after determining that certain revenues recognized in  
16    the second half of fiscal year 2004 from a customer may have been recorded in  
17    incorrect periods. The revenue matters under examination relate to the timing of  
18    revenue recognition and may result in a restatement of prior period financials.

19           Pending completion of the accounting review, the filing of Terayon's Form 10-Q  
20    for the third quarter of fiscal year 2005 will be delayed, and this delay will extend  
21    beyond the Form 10-Q's filing deadline of November 9, 2005. Terayon also will  
22    delay the filing of its third quarter 2005 earnings release and conference call,  
23    originally scheduled for November 8, 2005.

24           The accounting review includes an examination of whether a restatement of prior  
25    period financial statements may be required as it relates to the customer  
26    transactions in question, in addition to an examination of Terayon's revenue  
27    recognition policies and practices for current and past periods and an examination  
28    of Terayon's internal control over financial reporting as it relates to these items.  
29    There can be no assurance that Terayon or its independent auditors will not  
30    identify additional issues or other considerations in connection with the current  
31    review, and that these issues or considerations will not require further adjustments  
32    to the company's prior financial results for one or more prior fiscal years or  
33    quarters.

34           37.     As a result of this news, by the end of the trading session on the next



1 day, November 8, 2005, Terayon's stock price fell \$0.32 per share and closed at  
2 \$2.25, on unusually heavy trading volume of over 2.5 million shares.

3  
4 38. Defendants' statements as described in ¶¶ 25-28 and 30-36, above,  
5 were each materially false and/or misleading when made as they misrepresented  
6 and/or failed to fully disclose the following adverse facts which then existed and  
7 the full disclosure of which was necessary to make the statements made not false  
8 and/or misleading, including:  
9

10  
11 (a) the Company improperly recognized certain revenues, which  
12 materially inflated its revenue figures;

13  
14 (b) the Company lacked requisite internal controls and, as a  
15 result, the Company's projections and reported results were based upon defective  
16 assumptions and/or manipulated facts;

17  
18 (c) the Company's financial statements were presented in  
19 violation of Generally Accepted Accounting Principles ("GAAP");  
20

21 (d) the Company lacked the necessary personnel to issue accurate  
22 financial reports and projections; and

23  
24 (e) as a consequence, the Company's financial statements were  
25 grossly inflated and lacked in all reasonable basis when made.

26  
27 **Disclosures at the End of the Class Period**

28 39. On March 1, 2006, the last day of the Class Period, the Company



1 stunned investors when it issued a press release, titled "Terayon Announces Expected  
2 Restatement of Prior Periods," announcing that, as a result of improper accounting practices, "the  
3 Company's consolidated financial statements for the year ended December 31, 2004 and for the  
4 four quarters of 2004 and the first two quarters of 2005 should no longer be relied upon and will  
5 be restated." The press release stated, in relevant part, the following:

7 Terayon Announces Expected Restatement of Prior Periods  
8 Santa Clara, California - March 01 2006

9 Terayon Communication Systems, Inc. (NASDAQ: TERNE) today announced  
10 that the Audit Committee of the Board of Directors has concluded that the  
11 Company's consolidated financial statements for the year ended December 31,  
12 2004 and for the four quarters of 2004 and the first two quarters of 2005 should no  
13 longer be relied upon and will be restated. This conclusion was based in part on  
14 the final results of the previously announced Audit Committee inquiry. The  
15 inquiry focused on the circumstances surrounding the timing of revenue  
16 recognition in the second half of 2004 from a customer of the Company. The  
17 principal findings of the inquiry were: that there was no intent by Company  
18 personnel to recognize revenue in contravention of what Company personnel  
19 understood to be the applicable accounting rules at the time; that Company  
20 personnel nevertheless did not consider or sufficiently focus on the application of  
21 certain relevant accounting rules; and that there was no intent by Company  
22 personnel to mislead the Company's auditors or engage in other wrongful  
23 conduct. The Audit Committee inquiry noted that counsel was not able to  
24 interview a senior official of the customer involved in the transaction. Based on  
25 the results of the inquiry, the Audit Committee did not recommend any actions  
26 against current or former Company personnel. The Audit Committee and  
27 management are continuing to consider possible enhancements to the Company's  
28 internal controls in light of the results of the Audit Committee inquiry.

The Audit Committee and management have reviewed the Company's revenue  
recognition practices and policies with respect to the delivery of certain products  
and services (including the development and customization of software) to a  
single customer under a series of contractual arrangements. Management and the  
Audit Committee have also discussed management's conclusions with Stonefield  
Josephson, Inc., the Company's independent auditor. It was previously  
determined under the SEC Staff Accounting Bulletin 104, "Revenue  
Recognition," that revenue under this series of contractual arrangements was to be  
recognized in two phases under two separate revenue arrangements. Based on the  
guidance under American Institute of Certified Public Accountants Statement of  
Position (SOP) 97-2, "Software Revenue Recognition," and SOP 81-1,  
"Accounting for Performance of Construction-Type and Certain Production-Type

1 Contracts," management has determined that this series of contractual  
2 arrangements should have been treated as a single contract, and therefore a single  
3 revenue arrangement for accounting purposes.

4 Using the completed-contract method as indicated under SOP 81-1, all revenue  
5 from this series of contractual arrangements should have been deferred until the  
6 completion of all Company obligations under these arrangements in the fourth  
7 quarter of 2005. Accordingly, revenue recognized in the third and fourth quarters  
8 of 2004 and in the first two quarters of 2005 under this series of contractual  
9 arrangements should be deferred to the fourth quarter of 2005. Also, under SOP  
10 81-1 in relation to contract costs, expenses previously recognized in each quarter  
11 of 2004 and in the first two quarters of 2005 should be deferred to the fourth  
12 quarter of 2005.

13 The Company has also reviewed its revenue recognition policies relating to the  
14 recognition of the sales of software and other products bundled with post  
15 customer service contracts and has considered the guidance under SOP 97-2,  
16 Financial Accounting Standards Board Technical Bulletin 90-1, "Accounting for  
17 Separately Priced Extended Warranty and Product Maintenance Contracts," as  
18 well as Financial Accounting Standards Board, Emerging Issues Task Force  
19 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," in  
20 relation to multiple-element revenue arrangements. Under this guidance  
21 management has determined that during 2004, the Company did not establish  
22 vendor specific objective evidence for its post contract service revenue element as  
23 it related to digital video customer service. Consequently, management  
24 anticipates an additional deferral of revenue from each quarter of 2004 in which  
25 the revenue was recognized, in order to recognize the revenue from software  
26 bundled with post customer service contracts over the life of the customer service  
27 contract period.

28 The actual amounts of revenue and expenses to be deferred are being reviewed by  
the Company and its independent auditors. The restatement will have no impact  
on the Company's cash balances for the restated periods. There can be no  
assurance that the Company or its independent auditors will not identify additional  
issues or other considerations in connection with the restatement and continuing  
review, and that these issues or considerations will not require additional  
adjustments to the Company's prior financial results for one or more prior annual  
or quarterly periods.

The filing of the Company's Form 10-Q for the quarter ended September 30, 2005  
will be further delayed pending the completion of the restated consolidated  
historical financial statements. Because of the delay in filing the Form 10-Q, the  
Company is not in compliance with The Nasdaq Stock Market's continued listing  
requirement set forth in Nasdaq Marketplace Rule 4310(c)(14). As previously  
announced, the Company received letters from The Nasdaq Stock Market dated  
November 17, 2005 and January 4, 2006 regarding the Company's failure to file

its Form 10-Q for the quarter ended September 30, 2005, and its failure to solicit proxies and hold an annual meeting of shareholders on or before December 31, 2005, respectively. On January 17, 2006, a NASDAQ Listing Qualifications Panel agreed to continue the listing of the Company's common stock on The Nasdaq National Market subject to three conditions: (1) on or before January 31, 2006, the Company was required to provide NASDAQ with certain information related to the Audit Committee's inquiry; (2) on or before March 31, 2006, the Company must file the Form 10-Q for the quarter ended September 30, 2005 and all required restatements; (3) on or before March 31, 2006, the Company must file the proxy statement for the 2005 annual meeting, with a record date set and a meeting to be held as soon thereafter as possible. While the Company provided NASDAQ with a response to questions relating to the internal accounting review on January 31, 2006 and is making every effort to comply with the remaining requirements, there can be no assurance that the Company will be able to do so within the Panel's deadlines, or that the Company's common stock will continue to be listed on the Nasdaq National Market.

Management and the Audit Committee have concluded that the restatement constitutes a material weakness within the meaning of the PCAOB's Audit Standard No. 2. In addition to this material weakness, additional control deficiencies may be identified which individually or in the aggregate may constitute additional material weaknesses. Management and the Audit Committee are continuing to evaluate whether there are additional material weaknesses.

Additionally, the Company has engaged a financial advisor, Chanin Capital Partners, to explore alternatives with respect to restructuring its outstanding 5% Convertible Subordinated Notes due 2007. The Notes currently outstanding have an aggregate principal amount of \$65 million. As previously announced, on January 12, 2006, the Company received a letter from holders of more than 25% in aggregate principal amount of Notes outstanding providing written notice to the Company that it is in default based on the Company's failure to file its Form 10-Q for the quarter ended September 30, 2005. If the default is not cured within 60 days of this notice, March 13, 2006, an event of default will occur and the trustee or holders of at least 25% in aggregate principal amount of the Notes then outstanding, upon notice to the Company, may accelerate the maturity of the Notes and declare the entire principal amount of the Notes, together with all accrued and unpaid interest thereon, to be due and payable immediately.

The Company previously announced in November 2005 that the SEC had initiated an informal inquiry with regard to the subject matter of the Company's accounting review. The Company understands that the SEC has since issued a formal order of investigation with regard to this matter. The Company has been and is continuing to cooperate fully with the SEC.

40. Also on March 1, 2006, *Bloomberg News* reported that the SEC had

1 begun a formal inquiry of Terayon, apparently in response to the Company's accounting and  
2 revenue recognition practices. The *Bloomberg News* article stated the following:

3 SEC Formally Probing Terayon Communication Systems

4 By Steven Bodzin

5 March 1 (Bloomberg) - The U.S. Securities and Exchange  
6 Commission has increased its scrutiny of Terayon Communication  
7 Systems Inc., elevating an informal inquiry to a formal  
8 investigation, the company said in a statement.

9 The company, a maker of video networking software, had said  
10 in November that the SEC was conducting an informal inquiry.  
11 Terayon also said today it would restate earnings for 2004 and  
12 the first two quarters of 2005 because of the timing of its  
13 accounting for sales.

14 The Santa Clara, California-based company defaulted on its  
15 loans when it missed filing an earnings report for the quarter  
16 ended Sept. 30, 2005. Terayon has hired Chanin Capital Partners  
17 to help it restructure the debt before March 13, when bondholders  
18 will be able to demand immediate repayment of the loans.

19 Kirsten Chapman, a spokeswoman for Terayon at  
20 Lippert/Heilshorn & Associates in San Francisco, said she  
21 couldn't comment on how the investigation, restatement and debt  
22 restructuring might affect the company's operations until she  
23 spoke with lawyers in the morning. Terayon's auditors, Stonefield  
24 Josephson Inc., found the early sales recognition to be  
25 unintentional, according to the statement.

26 41. These revelations shocked the market. The next day, March 2, 2006,  
27 Terayon stock plummeted \$0.37 per share, or 13.7% percent below the previous day's closing  
28 price of \$2.70, which was before the full extent of the Company's restatement was disclosed to  
investors. Terayon shares closed on March 2, 2006, at \$2.25 per share, on extremely heavy  
trading volume of over 4.8 million shares.

UNDISCLOSED ADVERSE FACTS

41. The market for Terayon securities was open, well-developed and efficient

1 at all relevant times. As a result of these materially false and misleading statements and failures  
2 to disclose, Terayon securities traded at artificially inflated prices during the Class Period.  
3 Plaintiff and other members of the Class purchased or otherwise acquired Terayon securities  
4 relying upon the integrity of the market price of Terayon securities and market information  
5 relating to Terayon, and have been damaged thereby

7 42. During the Class Period, defendants materially misled the investing public,  
8 thereby inflating the price of Terayon securities, by publicly issuing false and misleading  
9 statements and omitting to disclose material facts necessary to make defendants' statements, as  
10 set forth herein, not false and misleading. Said statements and omissions were materially false  
11 and misleading in that they failed to disclose material adverse information and misrepresented  
12 the truth about the Company, its business and operations, as alleged herein

14 43. At all relevant times, the material misrepresentations and omissions  
15 particularized in this Complaint directly or proximately caused or were a substantial contributing  
16 cause of the damages sustained by Plaintiff and other members of the Class. As described herein,  
17 during the Class Period, defendants made or caused to be made a series of materially false or  
18 misleading statements about Terayon's business, operations and financial performance. These  
19 material misstatements and omissions had the cause and effect of creating in the market an  
20 unrealistically positive assessment of Terayon and its business, operations and financial  
21 performance, thus causing the Company's securities to be overvalued and artificially inflated at  
22 all relevant times. Defendants' materially false and misleading statements during the Class Period  
23 resulted in Plaintiff and other members of the Class purchasing the Company's securities at  
24 artificially inflated prices, thus causing the damages complained of herein.



## LOSS CAUSATION

44. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

45. During the Class Period, Plaintiff and the Class purchased securities of Terayon at artificially inflated prices and were damaged thereby. The price of Terayon common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

## SCIENTER

46. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading, knew that such statements or documents would be issued or disseminated to the investing public, and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Terayon, their control over, and/or receipt and/or modification of Terayon's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Terayon, participated in the fraudulent scheme alleged herein.

### Applicability Of Presumption Of Reliance: Fraud-On-The-Market Doctrine

47. At all relevant times, the market for Terayon securities was an efficient market for the following reasons, among others:

(a) Terayon stock met the requirements for listing, and was listed and



1 actively traded on the Nasdaq, a highly efficient and automated market;

2 (b) As a regulated issuer, Terayon filed periodic public reports with the  
3 SEC and the Nasdaq;

4 (c) Terayon regularly communicated with public investors via  
5 established market communication mechanisms, including through regular disseminations of  
6 press releases on the national circuits of major newswire services and through other wide-ranging  
7 public disclosures, such as communications with the financial press and other similar reporting  
8 services; and  
9

10 (d) Terayon was followed by several securities analysts employed by -  
11 major brokerage firms who wrote reports, which were distributed to the sales force and certain  
12 customers of their respective brokerage firms. Each of these reports was publicly available and  
13 entered the public marketplace.  
14

15 48. As a result of the foregoing, the market for Terayon securities promptly  
16 digested current information regarding Terayon from all publicly available sources and reflected  
17 such information in Terayon's stock price. Under these circumstances, all purchasers of Terayon  
18 securities during the Class Period suffered similar injury through their purchase of Terayon  
19 securities at artificially inflated prices and a presumption of reliance applies.  
20

#### 21 NO SAFE HARBOR

22 49. The statutory safe harbor provided for forward-looking statements under  
23 certain circumstances does not apply to any of the allegedly false statements pleaded in this  
24 Complaint. Many of the specific statements pleaded herein were not identified as  
25 "forward-looking statements" when made. To the extent there were any forward-looking  
26 statements, there were no meaningful cautionary statements identifying important factors that  
27  
28

1 could cause actual results to differ materially from those in the purportedly forward-looking  
2 statements. Alternatively, to the extent that the statutory safe harbor does apply to any  
3 forward-looking statements pleaded herein, defendants are liable for those false forward-looking  
4 statements because at the time each of those forward-looking statements was made, the particular  
5 speaker knew that the particular forward-looking statement was false, and/or the forward-looking  
6 statement was authorized and/or approved by an executive officer of Terayon who knew that  
7 those statements were false when made.  
8

9  
10 **COUNT I**

11 **For Violations of Section 10(b)**  
12 **And Rule 10b-5 Promulgated Thereunder**  
13 **Against All Defendants**

14 49. Plaintiff repeats and realleges each and every allegation contained above as if fully  
15 set forth herein.

16 50. This Count is asserted against all defendants and is based upon Section 10(b) of  
17 the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

18 51. During the Class Period, defendants engaged in a plan, scheme, conspiracy and  
19 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,  
20 practices and courses of business which operated as a fraud and deceit upon plaintiff and the  
21 other members of the Class; made various untrue statements of material facts and omitted to state  
22 material facts necessary in order to make the statement made, in light of the circumstances under  
23 which they were made, not misleading; and employed devices, schemes and artifices to defraud  
24 in connection with the purchase and sale of securities. Such scheme was intended to, and,  
25 throughout the Class Period, did: (i) deceive the investing public, including plaintiff and other  
26 Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Terayon  
27  
28

1 common stock; and (iii) cause plaintiff and other members of the Class to purchase Terayon  
2 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course  
3 of conduct, defendants, and each of them, took the actions set forth herein.

4  
5 52. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the  
6 defendants participated directly or indirectly in the preparation and/or issuance of the quarterly  
7 and annual reports, SEC filings, press releases and other statements and documents described  
8 above, including statements made to securities analysts and the media that were designed to  
9 influence the market for Terayon common stock. Such reports, filings, releases and statements  
10 were materially false and misleading in that they failed to disclose material adverse information  
11 and misrepresented the truth about Terayon's finances and business prospects.

12  
13 53. By virtue of their positions at Terayon, defendants had actual knowledge of the  
14 materially false and misleading statements and material omissions alleged herein and intended  
15 thereby to deceive plaintiff and the other members of the Class, or, in the alternative, defendants  
16 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose  
17 such facts as would reveal the materially false and misleading nature of the statements made,  
18 although such facts were readily available to defendants. Said acts and omissions of defendants  
19 were committed willfully or with reckless disregard for the truth. In addition, each defendant  
20 knew or recklessly disregarded that material facts were being misrepresented or omitted as  
21 described above.

22  
23  
24 54. Defendants were personally motivated to make false statements and omit material  
25 information necessary to make the statements not misleading in order to personally benefit from  
26 Terayon's bonus policy, as well as the sale of Terayon common stock from their personal  
27 portfolios.

1           55. Information showing that defendants acted knowingly or with reckless disregard  
2 for the truth is peculiarly within defendants' knowledge and control. As the senior managers and  
3 directors of Terayon, the Individual Defendants had knowledge of the details of Terayon's  
4 internal affairs.  
5

6           56. The Individual Defendants are liable both directly and indirectly for the wrongs  
7 complained of herein. Because of their positions of control and authority, the Individual  
8 Defendants were able to and did, directly or indirectly, control the content of the statements of  
9 Terayon. As officers and directors of a publicly held company, the Individual Defendants had a  
10 duty to disseminate timely, accurate, and truthful information with respect to Terayon's  
11 businesses, operations, future financial condition and future prospects. As a result of the  
12 dissemination of the aforementioned false and misleading reports, releases and public statements,  
13 the market price of Terayon common stock was artificially inflated throughout the Class Period.  
14 In ignorance of the adverse facts concerning Terayon's business and financial condition which  
15 were concealed by defendants, plaintiff and the other members of the Class purchased Terayon  
16 common stock at artificially inflated prices and relied upon the price of the stock, the integrity of  
17 the market for the stock and/or upon statements disseminated by defendants and were damaged  
18 thereby.  
19

20  
21           57. During the Class Period, Terayon common stock was traded on an active and  
22 efficient market. Plaintiff and the other members of the Class, relying on the materially false and  
23 misleading statements described herein, which the defendants made, issued or caused to be  
24 disseminated, or relying upon the integrity of the market, purchased shares of Terayon common  
25 stock at prices artificially inflated by defendants' wrongful conduct. Had plaintiff and the other  
26 members of the Class known the truth, they would not have purchased said shares or would not  
27  
28

1 have purchased them at the inflated prices that were paid. At the time of the purchases by  
2 plaintiff and the Class, the true value of Terayon stock was substantially lower than the prices  
3 paid by plaintiff and the other members of the Class. The market price of Terayon common  
4 stock declined sharply upon public disclosure of the facts alleged in this Complaint.  
5

6 58. By reason of the conduct alleged herein, defendants knowingly or recklessly,  
7 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10-5  
8 promulgated thereunder.

9 59. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff  
10 and the other members of the Class suffered damages in connection with their respective  
11 purchase and sales of the Company's securities during the Class Period.  
12

## 13 COUNT II

### 14 Violations of Section 20(a) of the Exchange Act 15 Against The Individual Defendants

16 60. Plaintiff repeats and re-alleges each and every allegation contained in the  
17 foregoing paragraphs as if fully set forth herein.

18 61. During the Class Period, defendants Rakib, Chasc, Richman, and  
19 Lopez participated in the operation and management of Terayon, and conducted and participated,  
20 directly and indirectly, in the conduct of Terayon's business affairs. Because of their senior  
21 positions, they knew the adverse non-public information about Terayon's misstatement of income  
22 and expenses and false financial statements.  
23

24 62. As officers and directors of a publicly owned company, the Individual Defendants  
25 had a duty to disseminate accurate and truthful information with respect to Terayon's financial  
26 condition and results of operations, and to correct promptly any public statements issued by  
27 Terayon which had become materially false or misleading.  
28

63. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Terayon disseminated in the marketplace during the Class Period concerning Terayon's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Terayon to engage in the wrongful acts complained herein. The Individual Defendants therefore, were "controlling persons" of Terayon within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Terayon common stock.

64. Each of the Individual Defendants; therefore, acted as a controlling person of Terayon. By reason of their senior management positions at Terayon, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Terayon to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Terayon and possessed the power to control the specific activities which comprise the primary violations about which plaintiff and the other members of the Class complain.

65. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20 of the Exchange Act for the violations committed by Terayon.

#### **PRAYER FOR RELIEF**

**WHEREFORE**, plaintiff demands judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23, Federal Rules of Civil Procedure, and certifying the plaintiff as the Class representative and Lead Plaintiff;



1 B. Requiring defendants to pay damages sustained by plaintiff and the  
2 Class by reason of the acts and transactions alleged herein;

3 C. Awarding plaintiff and the other members of the Class prejudgment and post-  
4 judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and  
5

6 D. Awarding such other and further relief as this Court may deem just  
7 and proper.

8 **DEMAND FOR JURY TRIAL**

9 Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff hereby demands  
10 a trial by jury of all issues so triable  
11

12 Dated: June 23, 2006

**GLANCY BINKOW & GOLDBERG LLP**

13 By: 

Lionel Z. Glancy

14 1801 Avenue of the Stars, Suite 311

15 Los Angeles, California 90067

16 Telephone: (310) 201-9150

17 Facsimile: (310) 201-9160

18 *Attorneys for Plaintiff*  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**CERTIFICATION PURSUANT  
TO FEDERAL SECURITIES LAWS**

1. I I.B.L. Investments Ltd., make this declaration pursuant to Section 21D(a)(2) of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995.

2. I have reviewed the Complaint against Terayon Communications, Inc. ("Terayon") and authorize the firm of Glancy Binkow & Goldberg LLP to move on my behalf for appointment as lead plaintiff.

3. I did not purchase Terayon securities at the direction of plaintiffs' counsel or in order to participate in any private action arising under the Securities Exchange Act of 1934.

4. I am willing to serve as a representative party on behalf of a Class of investors who purchased Terayon securities during October 28, 2004 through March 1, 2006, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action and that the firm of Glancy Binkow & Goldberg LLP may exercise its discretion in determining whether to move on my behalf for appointment as lead plaintiff.

5. To the best of my current knowledge, the attached sheet lists all of my transactions in Terayon securities during the Class Period as specified in the Complaint.

6. During the three-year period preceding the date on which this Certification is signed,  
I have not sought to serve as a representative party on behalf of a class under the federal securities laws.

7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such

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reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.

8. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed 12/6/06, at tel-Aviv, Israel  
(Date) (City, State)  
I.B.L. Investments  
Li. Brum  
(Signature)  
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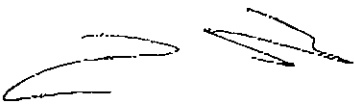
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REBHAN, MANN &amp; CO.

2003

SUMMARY OF PURCHASES AND SALES

DATE	PURCHASE OR SALE	NUMBER OF SHARES	PRICE PER SHARE
5/04/2005	Sale	6,000	3.15
6/05/2005	Sale	5,000	3.41
7/29/2005	Purchase	2,500	3.02
8/24/2005	Sale	2,500	3.42
8/29/2005	Purchase	4,000	2.32
9/12/2005	Sale	2,000	3.65
9/13/2005	Sale	2,000	3.63
9/21/2005	Purchase	3,000	3.88
9/26/2005	Purchase	1,000	3.96
9/26/2005	Purchase	1,000	3.92
9/26/2005	Purchase	1,000	3.93
10/12/2005	Purchase	1,000	3.29
10/18/2005	Purchase	3,000	3.34
10/19/2005	Purchase	2,000	3.08
10/25/2005	Purchase	100	2.83
10/26/2005	Purchase	2,000	2.74
10/28/2005	Purchase	2,000	2.4
11/7/2005	Sale	2,000	2.54
11/8/2005	Purchase	6,000	2.22
11/9/2005	Sale	6,000	2.33
23/12/2005	Sale	6,000	2.31

  
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